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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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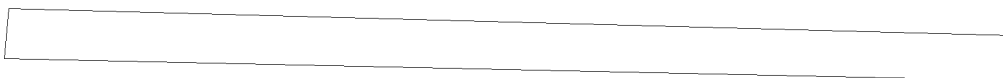
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FAR EAST

Vietnam: *New Strikes in the North*

The Communists reacted to last weekend's air strikes against the North with much tough talk, but they have backed it up so far with only a pro forma gesture of protest in Paris. Hanoi officially denounced the raids as violations of the US pledge to halt all bombing of the North as an "extremely serious act of war." A Foreign Ministry communique strongly reasserted Hanoi's longstanding position that no "understanding" exists that would allow uncontested US aerial reconnaissance over the North.

Although Communist propaganda portrayed the US as having deliberately broken the arrangement that led to four-way talks in Paris, Hanoi clearly is not of a mind to break off the talks now. A spokesman for the North Vietnamese delegation hinted at a news conference that Hanoi expects them to go on. The Communist delegations boycotted this week's session in Paris, but said they would return to the table on 3 December. This follows the pattern set last May when the Communists skipped a meeting after a series of US air strikes in southern North Vietnam.

Last weekend's action in North Vietnam is not likely to have a lasting effect on whatever prospects there are in Paris. Some form of Communist military retaliation in South Vietnam could be in prospect however; rocket attacks against a major city or two seem a good bet. In this way, Hanoi might seek to underscore its contention that the US has broken its pledge to stop bombing the North and that Communist forces are not constrained by any kind of understanding.

Meanwhile, Hanoi apparently has run into difficulty formulating a response to Washington's announcement about the POW raid, presumably

because it wants to condemn the action without acknowledging that US forces moved in and out of North Vietnam with impunity. The Foreign Ministry sent a relatively mild statement to North Vietnamese news agencies abroad on the 24th, but then quickly withdrew it. The only reaction that had appeared by midweek was an unattributed article in the party newspaper. Like Hanoi's initial commentary on the air strikes before the Pentagon announcement, it avoided comment on the rescue effort itself and said only that the US had attacked a POW installation. It reasserted Hanoi's contention that air strikes did occur in the general Hanoi-Haiphong area and that, because of this, Hanoi took an "extremely serious" view of the situation.

And The War Goes On

The Communists apparently hope to step up their military activity within the next week or so. Available evidence still indicates, however, that the enemy is primarily concerned with conserving and rebuilding his weakened forces in South Vietnam and that the coming "winter" or dry-season campaign there will be limited in magnitude.

Although the enemy's local forces north of Saigon are now relatively weak and pacification

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has been making better progress there than in most other parts of the country, Hieu thinks the Communists are still better organized than their recent military operations have indicated. He fears that the government's territorial security forces alone are not capable of taking full advantage of the enemy's current condition. He believes that regular army units should be used to support the Regional and Popular Forces rather than pursue enemy units in Cambodia where they are not an immediate threat to South Vietnam.

Hieu's views of the Communists' problems and intentions in his area of responsibility are generally supported by a wide variety of intelligence. In his present command covering Binh Long, Phuoc Long, and Binh Duong provinces he lacks the support American combat troops provided to him in an earlier command, and he must use his forces in pacification and security roles as well as in the Cambodian sweep operations. Hieu's concerns may be somewhat shared by President Thieu, who recently imposed limitations on the extent of South Vietnamese operations into Cambodia for fear of overextending his forces.

Looking to the Elections

Saigon politicians are giving more of their attention to the 1971 presidential election although it is still more than ten months away. "Big" Minh says he will run for president, and other opposition elements already are making campaign plans. President Thieu also is looking ahead to next year, and progovernment politicians have begun to assess his prospects for re-election. Although these maneuverings are still in the preliminary stages, the election probably will be the main focus of attention in Saigon political circles until next fall.

It is far too early to project the outcome of the elections. Much of the pessimism over Thieu's prospects apparently stems from soundings in areas where oppositionist sentiment is traditionally strong. Nevertheless, Thieu may need to mend his political fences to solidify his position. He has indicated that he intends to rely more on the government bureaucracy for support than on political parties, but outright party opposition would weaken his campaign.

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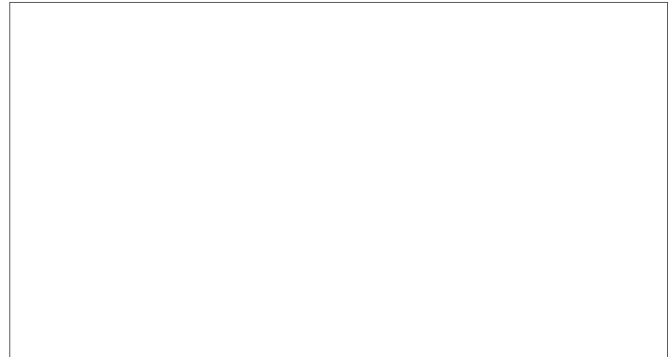
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SECRET**Cambodia: *Keeping the Heat On***

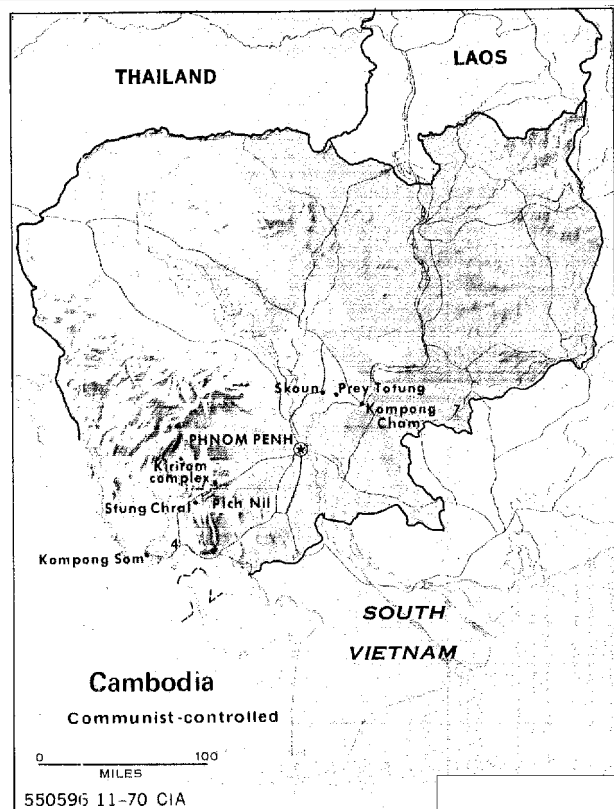
The Communists continued to keep government forces at bay in Kompong Cham Province, and initiated several successful attacks on Cambodian units and minor industrial installations in the Kirirom area near Route 4. It is not clear whether these actions foreshadow the beginning of a broader offensive campaign.

A 16-ship government convoy bound for Kompong Cham city on the Mekong was halted by heavy enemy fire 20 miles southwest of the city. Two ships were heavily damaged; four Cambodians were killed and 52 were wounded. On the ground, government reinforcements trying to move east along Route 7 in order to reopen that road between Skoun and Kompong Cham were stopped by Communist troops near Prey Totung. Before the riverine convoy arrived at midweek, government defenders at Kompong Cham had to rely on air drops because enemy harassing fire deterred cargo planes from landing at the city's airfield.

In the southwest, coordinated enemy attacks succeeded in driving Cambodian soldiers out of their positions at the Pich Nil pass overlooking Route 4, the Kirirom hydroelectric complex, and the Stung Chral cartridge factory. These attacks marked the first significant Communist activity in the Kirirom area since late July. Six government battalions were scheduled to launch counterattacks to retake the lost positions and to reopen the vital highway to Kompong Som.



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Talks Falter

Economic negotiations between the Cambodians and the South Vietnamese were suspended without agreement on several major issues when the Saigon cabinet withheld approval of agreements covering trade relations. The Cambodians, for their part, balked over Saigon's re-

quest for a \$38 million "contribution" from Phnom Penh to help defray costs of South Vietnamese military operations in Cambodia. Although South Vietnamese intransigence may be largely a bargaining ploy for the next unscheduled series of talks in Phnom Penh, such apparent bad faith likely did not sit well with some Cambodian leaders who are already hypercritical of their Saigon allies.

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Thailand: Insurgent Prospects Improve

The insurgent movement in northeast Thailand is continuing to rebound from the setbacks suffered during the 1967-68 period. During the past rainy season, the insurgents concentrated on improving their organization and village support network in traditional operating areas rather than significantly expanding their armed strength—which remains around 1,500—or attempting to move into new operational sectors. There is evidence, however, that for the first time in the northeast the insurgents have established a secure base, in the Duong Luang area of Nakhon Phanom Province. This region has been the most active insurgent area since the movement in the northeast began in 1965.

In addition to supporting the training and indoctrination of insurgents and the filling out of quasimilitary village units, the base has facilitated an increase in external support for the insurgency.

Despite their improved capabilities, the insurgents have avoided large-scale or highly visible actions. Increased terrorism and harassment of the government's fledgling village defense forces are designed to gain the initiative without prompting a major government counteroffensive. Such tactics are effectively playing on both Bangkok's belief that the insurgency in the northeast is well in hand and the Thai Army's desire to turn over its counterinsurgency role to police and civilian agencies.

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With the deteriorating situations in Cambodia and Laos providing the pretext, the 2nd Army has since midsummer reduced its counterinsurgency force commitment in the northeast by two thirds, or to less than 1,000 troops. Moreover, the army now is under orders to engage in suppression operations only in response to emergency situations.

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Laos: The Southern Campaign Begins

Communist forces overran several key government positions on the Bolovens Plateau in a series of closely coordinated attacks on 22 November. The enemy captured two main irregular

bases, Sites 26 and 38, northwest of Attapeu as well as four other outposts in the same general area. Two other sites, about 15 and 30 miles north of Attapeu, were also captured.

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Government forces were able to reoccupy Site 38 despite heavy shelling, but attempts to retake Site 26 have been repulsed. Continuing air strikes on the bases now in enemy hands may make it difficult for the Communists to maintain their foothold on the eastern rim of the Plateau.

The Bolovens Plateau, as the dominant terrain feature in the area, has been hotly contested for the past several years. Its importance has grown this year, however, because the Communists are intent on protecting their infiltration corridor from the raids and intelligence activities of government guerrillas based on the plateau and

because the eastern rim of the plateau commands the Se Kong River and Route 16. These are potential infiltration routes the North Vietnamese would presumably like to make greater use of during the current dry season.

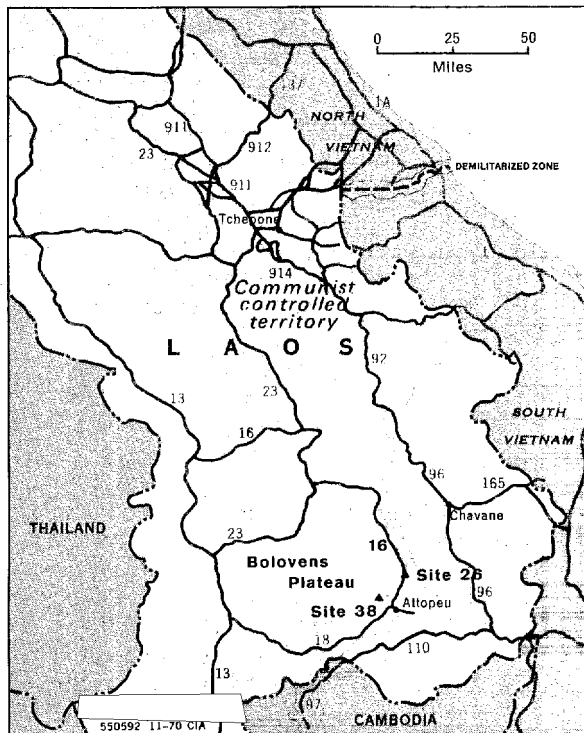
Chances for Peace Talks Still Alive

Vientiane is still waiting for definitive word from Pathet Lao leader Souphanouvong on the arrangements for peace negotiations that Communist envoy Souk Vongsak and Prime Minister Souvanna discussed on 16 November. [REDACTED]

[REDACTED] the Communists are at least disposed to keep the dialogue moving.

Pathet Lao representative Soth Pethrasy made statements [REDACTED] that seemed to support government assertions that the procedural roadblocks to the Khang Khay talks have been cleared away. Soth reportedly said that while the Pathet Lao still consider that the chief government negotiator will be representing Souvanna as an individual rather than as prime minister, they will, in an effort to get negotiations started, no longer contest the issue. A Pathet Lao broadcast of 22 November adds substance to this report by finessing the question of Souvanna's official status, describing him as "known as the chief of the Vientiane side."

In somewhat less explicit fashion, a Pathet Lao broadcast of 21 November indicated that the Communists intend to keep exploring the chances for talks despite the increasingly "aggressive acts" by the US in Laos. The broadcast said these acts "complicate efforts to solve Laotian questions and hinder the holding of a meeting," but indicated that explorations with Vientiane were continuing. [REDACTED]



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Sino-Soviet Relations: *Restoring Appearances*

The arrival of the newly appointed Chinese ambassador, Liu Hsin-chuan, in Moscow this weekend caps recent efforts by both sides to return to a routine, businesslike atmosphere in state relations. Liu's appointment, which has been rumored for months, was only confirmed on 18 November when Peking announced he was present during the first meeting between Chou En-lai and the new Soviet ambassador, V. S. Tolstikov, who arrived in China six weeks ago.

Both countries have publicly reaffirmed recently their interest in achieving a "normalization" of relations, but each has also characterized the other's statements as "only words" not followed by "actual deeds." Peking's message to the Soviet government on the 53rd anniversary of the Bolshevik revolution early this month claimed "differences of principle" should not hinder "effective measures" to settle "important outstanding questions in state relations." The Chinese adopted this line prior to the opening of the Peking talks last year and probably repeated it to avoid being branded as "obstructionists" by the Soviets who continued to publicly stress their "conciliatory" attitude by conspicuously reproducing an edited version of the Chinese statement. A speech on 6 November by Politburo

member Suslov marking the anniversary had a more austere tone, however, reminding Peking that fundamental ideological differences cannot be compromised.

Although the improved climate reflects both sides' determination to sustain the diminished tensions along the border, it is unlikely that it presages movement toward resolution of specific differences. The announcement on 22 November that an "agreement on the exchange of goods and payments" had been signed in Peking by the respective vice ministers of foreign trade is symbolic of current Sino-Soviet relations. Although the protocol—the first since 1967—is a tangible indication of the "new atmosphere," omission of the period covered by the accord and Peking's remark that "the two sides will continue to exchange views" lend credence to reports of still unresolved problems. Moreover, both Soviet and Chinese representatives have recently stated that the Peking political talks continue stalemated, with less frequent meetings reduced to exchanges of position papers. The border-river navigation talks, which began last July, also continue without any sign of agreement.

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Communist China: *A Step Closer to the UN*

Last week's General Assembly vote on the Chinese representation issue almost certainly ended the usefulness of procedures that have kept Peking out of the UN for two decades. The erosion of support for Taipei as the sole representative of China in the UN during the past six months led to a plurality (51 to 49 with 27 abstentions) for the first time on the "Albanian" resolution to admit Peking at the expense of Taipei. The Nationalists' loss of support, which occurred largely as a result of China's more "reasonable" diplomatic posture, is likely to continue

in the coming year and to gain momentum as a result of the UN vote.

More important, however, is the decline of support for the Important Question motion that makes any change in China's representation dependent on a two-thirds majority of the Assembly. Last week's 66-52 vote was a decrease from last year's 71-48. But even this result was achieved because a number of nations had made an early commitment to vote "yes," and several states have expressed reluctance to vote the same

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way next year, inasmuch as the motion would seem "a device to frustrate the will of the majority." Some states, in fact, have already indicated they expect to alter their position.

The Chinese Communists can be expected to press strongly in the coming year for the defeat of the "illegal" Important Question resolution. Peking's recent public and private statements indicate it is extremely sensitive to the possibility that continued passage of that motion will buy time for the "two China's" or "one China, one Taiwan" formula favored by many states. The Chinese fear that a number of nations supporting the "Albanian" resolution will line up in the future behind such a motion or that the China representation issue may be put in the broader context of "universality of membership." Indeed, the large number of abstentions on the "Albanian" motion last week is indicative of the dilemma faced by many states that favor Peking's entry, but not Taipei's expulsion.

Both Chinese regimes are certain to stress that any such compromise "solution" would not be viable, because each would refuse to hold a seat if the other were also represented. However, even in the unlikely event that such a motion carried in the Assembly next year, the Nationalists might well immediately withdraw from the world body—thus permitting Peking to enter on its own terms.

In a broader sense, last week's vote was a sharp blow to Taipei's prestige. Peking will undoubtedly attempt to exploit its advantage to the hilt, further undermining the Nationalists' diplomatic position both in the UN and the world community. One obvious line of attack, facilitated by the UN vote, would be to encourage further diplomatic recognitions of the Peking regime; Austria, Belgium, Luxembourg, Chile, and several African states are waiting in the wings.

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USSR-Japan: *Tokyo Hits a Sore Spot*

Tokyo's campaign for the return of the southern Kurile Islands—taken by the USSR following the defeat of Japan in World War II—has drawn a testy Soviet response. In a move clearly designed to indicate Soviet displeasure over Tokyo's public agitation for the reversion of the disputed territory, Moscow informed the Japanese on 19 November of the indefinite postponement of talks slated to begin this week on ensuring the safety of Japanese fishing in the vicinity of the Kuriles.

Moscow's action came about a month after Prime Minister Sato injected the "northern territories" issue into his UN General Assembly speech. Sato's remarks, which particularly irked Moscow, capped a two-pronged Japanese campaign of low-key diplomatic approaches to the USSR and a noisy propaganda offensive in Japan

itself. Moscow delivered a stiff oral protest against the campaign on 11 November

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Moscow's postponement of the fishery talks was designed to put teeth into this admonition.

Tokyo recognizes that the return of the islands is virtually out of the question. Previous Japanese attempts to revive this issue have run into Soviet insistence that it is closed.

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Moscow's refusal to discuss the islands is partly rooted in military considerations; Soviet possession ensures control of access to the Sea of Okhotsk. In addition, Moscow wants to avoid reopening the sensitive question of Soviet rights to territory seized in World War II lest this reinforce irredentist sentiment in Eastern Europe and China.

Moscow also fears that Tokyo will use the issue to stir up additional support for Japanese rearmament. Tokyo's plans for expanding Japanese military forces have caused increased concern. Defense Minister Grechko issued a public warning last September that Moscow will take the

"rebirth of Japanese militarism" into account in formulating its own military programs. [REDACTED]

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Moscow probably wants to avoid a situation in which the "northern territories" issue would dominate Soviet-Japanese relations to such an extent that it might disrupt growing economic ties. However, the Soviets are clearly intent on impressing on Tokyo the seriousness with which they view this issue, and may take further steps to get the Japanese to desist. [REDACTED]

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North Korea: *The Economy Is Making Mixed Progress*

The North Korean regime appears to be generally satisfied with the gains made under the "seven-year" plan which was stretched from 1961 to 1970, but South Korea's recently burgeoning economy is cause for some embarrassment. Perhaps as a result, the goals of the new six-year plan reflect Kim Il-song's strong contention that a socialist economy is capable of rapid self-sustained growth in every economic sector.

According to a report given by First Vice Premier Kim Il before the recently concluded fifth party congress, industrial output by the end of this year will have grown at an annual rate of 12.8 percent since 1960, and the seven-year plan will be "fulfilled successfully." The original plan was extended because of a temporary withdrawal of Soviet aid in the early sixties when relations with Moscow cooled and recent increased military spending.

Most of North Korea's industrial growth during the last ten years has been concentrated in the strategic heavy industries. Output of coal,

crude steel, and machine tools has more than doubled, while that of electric power nearly doubled. Growth in light industry, however, made only moderate advances, and agricultural production barely kept pace with population increases. A modest increase in the output of textiles and other consumer goods may have improved somewhat the living standard of the average North Korean worker. Nonetheless, the entire economy grew at only about half the rate of that of South Korea over the same period.

The new six-year plan described by Kim is ambitious and calls for a 14-percent annual increase in industrial output. Although it promises further improvements in the standard of living, there will be continued concentration on the strategic heavy industries. As a whole, this plan is more in keeping with North Korea's capabilities than the inflated goals of the seven-year plan, but its success is dependent in large measure upon keeping down military spending and continued aid from the Soviet Union and China. [REDACTED]

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EUROPE

Bavarian Election Helps Bonn and Strauss

All the major parties benefited from the results of last Sunday's election in Bavaria.

By drawing 12.4 percent in Middle Franconia and thus meeting the state requirement of at least ten percent of the vote in one district, the Free Democrats (FDP) renewed representation they had lost in the state legislature in 1966. This success reinforces the psychological boost the Bonn coalition won in Hesse earlier this month. Also, it provides further evidence that the party's role as junior partner in Chancellor Brandt's government has won new voter support and has halted the party's decline.

As in Hesse, the Social Democrats (SPD) lost a few percentage points, but are compensated to a large extent by the success of their partners, upon whom they must depend for their slim Bundestag majority. Moreover, recent embarrassing disclosures of an abortive attempt by the Christian Social Union (CSU) to bring a Bavarian FDP Bundestag deputy, Karl Geldner, into the CSU will probably strengthen the Bonn coalition by discouraging other FDP Bundestag members from following three who defected to the opposition in October.

BAVARIA ELECTION (22 November 1970)					
	Percent of the Vote (State 1970)	Percent of the Vote (State 1966)	Percent of the Vote In Bavaria (Federal 1969)	Landing Seats	
				1970	1966
CSU	56.4	48.1	54.4	124	110
SPD	33.3	35.8	34.6	70	79
FDP	5.5	5.1	4.1	10	0
NPD	2.9	7.4	5.3	0	15
BP	—	3.4	—	—	0
DKP (Communist)	1.9	—	1.7	0	—

As expected, the CSU, the Bavarian affiliate of the Christian Democratic Union (CDU), retained control of the Munich government by winning an absolute majority, though the margin of victory is surprisingly wide. Bavaria is a conservative stronghold and CSU leader Franz-Josef Strauss, though a controversial figure nationally, is very popular in the state. The "Geldner affair" obviously failed to hurt the CSU, which benefited from voter resentment over inflation.

The outcome undoubtedly enhances Strauss' standing in the national party. It will encourage him to assert his influence forcefully in January when the national party congress meets to decide key policy questions and perhaps to select the man who will become chancellor should the CDU win the 1973 federal elections. In general, the Christian Socialists have clearly shown their aversion to Ostpolitik and most recently zeroed in on the reconciliation treaty with Poland, initialed in Warsaw last week. CDU/CSU leaders allege that the treaty's acceptance of the Oder-Neisse frontier violates the West German constitution and that only Bonn made concessions. Strauss is believed personally to favor even more vigorous opposition and may interpret his Bavarian success as a mandate to urge an all-out attack on Ostpolitik.

The ultra rightist National Democratic Party (NPD) continued its steady decline, losing all 15 of its seats. Many of the former NPD votes and those of the now defunct Bavarian Party went to the CSU. As in Hesse, the CSU also drew some support from conservative Free Democrats unable to accept the FDP's new liberal course. For its part, the FDP won over some liberal voters from both the CSU and SPD.

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Hungary: *Brezhnev Endorses Moderate Reform Program*

Soviet party boss Brezhnev endorsed the Hungarian party's domestic reform program in a speech to the Hungarian party congress on 24 November. Brezhnev announced the Soviet party's "full understanding and high appraisal" of the program and made it clear that Budapest's internal stability, loyalty to the USSR and "principled approach" to the reforms were the controlling factors in his positive assessment. The endorsement will be viewed with relief by the Hungarians. They have been nervous because in the past the Soviets were reluctant to state their views on changes intended to liberalize political life by permitting popular participation in local government.

During his keynote speech, Hungarian party boss Kadar affirmed Hungary's intention to establish diplomatic relations with West Germany, when Bonn has cleared up its bilateral problems with Hungary's allies. Kadar noted that Bonn's

failure to recognize East Germany is a potential obstacle to progress but he seemed to place more emphasis on West German "resoluteness" in continuing its Ostpolitik than on resolution of the problem of the two Germanies. This formula is probably meant to convey to East Germany that Hungary hopes the Ulbricht regime will be forthcoming in its talks with the Brandt government.

The congress so far has been a political tour de force for the Hungarian party leader. His speech of 23 November—particularly his delineation of internal political reforms—was couched in terms calculated to reflect firm domestic stability, sober-minded confidence, and careful progressivism. So far there has been no dissent from conservative opponents of the reforms, who were unusually vocal prior to the meeting. Presumably Brezhnev's support for Kadar will further intimidate them.

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Bulgaria-Romania: *New Friendship Treaty*

A new 20-year Treaty of Friendship, Cooperation and Mutual Assistance was signed in Sofia on 20 November by Romanian President Ceausescu and Bulgarian leader Zhivkov, replacing the one of 1948. It is unique in the sense that the clause calling for joint efforts toward international detente binds both parties to work for a conference on European security, even though Romanian and Bulgarian views on this subject are known to differ markedly.

In other respects, the new agreement varies only slightly from the authoritative Soviet-Romanian pact and from the Polish-Romanian treaty signed on 12 November. Each side is committed to supplying all necessary assistance, including military, in the event of an armed attack on the other. There is no reference to the

"Brezhnev doctrine" of limited sovereignty, and economic cooperation within CEMA received only perfunctory treatment. Zhivkov emphasized the importance of increased Bulgarian-Romanian economic contacts, including the joint construction of a large hydroelectric complex on the Danube, but the Romanians exhibited little interest. The agreement calls only for Sofia and Bucharest to "inform" each other on mutual internal economic developments.

The two leaders reiterated their well-known foreign policy differences, albeit in a moderate and conciliatory tone. Zhivkov stressed the importance of Soviet "experience" as a model for building socialism, but Ceausescu, did not even mention the USSR. Both leaders moved to strengthen Balkan cooperation, but each

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indicated his country should have pre-eminent leadership in this activity. Zhivkov implied that his archenemy, Yugoslavia, with which Romania maintains warm relations, was fostering "enmity and hatred" in the Balkans.

East Germany's leader, Walter Ulbricht, will be the next to sign a similar treaty in Bucharest, probably in early December. [REDACTED]

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YUGOSLAVIA: The highly charged nature of the debate on stabilization of Yugoslavia's economy was dramatized by the sudden resignation of Vice Premier Miljanic, coordinator of the stabilization program, on 18 November. He may have resigned in part over the issue of whether to devalue the dinar. In announcing the resignation, Premier Ribicic noted that there has been resistance to the stabilization program and implied that regional interests were not cooperating.

Earlier in the week, the republic and provincial governments expressed support for the program, but each stressed those aspects it finds most palatable. Two days after the announcement of Miljanic's resignation, the cabinet debated the stabilization program for over ten hours before adopting a set of proposals scheduled to be introduced on 26 November to the Federal Assembly, where the debate undoubtedly will resume. [REDACTED]

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FRANCE-POLAND: This week's visit to Poland by Premier Chaban-Delmas and Foreign Minister Schumann demonstrates continuing French interest in pursuing "detente diplomacy" with the East, a policy earlier advanced by President Pompidou's trip to Moscow. Coming on the heels of the Warsaw-Bonn accord, whose potential impact is compared in both Eastern and Western Europe to that of postwar Franco-German reconciliation, the visit also helps Poland stress that its political and economic policy toward Western Europe is balanced and not wholly focused on

relations with West Germany. The Poles are interested in obtaining the French leaders' reiteration of France's de facto recognition of the Oder-Neisse border, first extended by De Gaulle in 1959 and restated during his visit to Poland in September 1967. Such a French statement now could be used by Warsaw to press for similar moves by other Western powers. Warsaw also wants more forthcoming French support for a conference on European security, which Paris, however, ties to prior progress on a Berlin settlement. [REDACTED]

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EAST-WEST GERMANY: Working-level talks between the two Germanies began on 27 November. In making its offer on 19 November for an "exchange of views" with Bonn, Pankow specified that the discussion should be limited to West German "transit" traffic to West Berlin in exchange for a cessation by the Federal Republic of its "illegal" official activities in the city. A day after Pankow's agreement to talk, the East German news service complained that recently con-

cluded meetings in West Berlin of the Bundesrat finance committee and of the finance ministers of the West German states were "hostile to detente." Although the East Germans have tacitly agreed with West Germany to broaden the scope of the talks, Pankow's limited terms of reference indicate indeed that little more than an "exchange of views" can be expected for some time. [REDACTED]

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Italy: Coalition Government Under Strain

Prime Minister Colombo's four-party coalition is under serious political strain. At the heart of the problem are the differing attitudes among leaders of the government parties toward an increasing political role for the Communists (PCI) at the national level.

The coalition's program hinges on an economic and financial bill designed to ensure a dependable base for certain key social reforms. If the bill fails to pass there probably would be a new wave of the social protest strikes comparable to those that undercut industrial production last spring.

Most Christian Democrats, Republicans, and Unitary Socialists want to push the measure through the Chamber, with night sessions if necessary, to give the Senate time to act before 24 December, the expiration date of the temporary decree that the bill is to confirm. The Socialists favor a more drawn out approach, accepting some Communist amendments, before rejecting the many offered by the ultraleft Proletarian Socialists and dissident Manifesto Communists.

Compromise in this manner with the PCI would hold risks for the economic stabilization features of the bill. It would also further erode the traditionally rigid anti-Communism of the Italian center-left that has insisted the government parties vote together to pass major legislation with no regard for possible Communist help or hindrance in parliament.

The government has the votes to force the measure through, unamended, on a motion of confidence, but at the very least, this would

deepen the existing divisions within the coalition over present and future attitudes toward the PCI.

Consideration of the PCI assumes increasing importance to politicians when they think in terms of the presidential election in December 1971. Christian Democrats and Socialists contending for the office must count on dividing the non-Communist vote. Consequently, they are courting the PCI, which is almost certain to provide the decisive margin as it did for incumbent President Saragat in the election of 1964.

In addition, a number of Socialists and left-wing Christian Democrats see merit in a future political grouping that would include the PCI. Left-wing Christian Democrat Donat-Cattin, for example, recently explained in a public interview that he sees the present situation as part of a development toward an eventual alliance of all leftist forces, including the Communists.

Many government party leaders consequently are reluctant to back a vote of confidence that would draw clear battle lines between the center-left and the PCI. On the contrary, they are seeking more flexible parliamentary groupings.

The PCI, for its part, has increased its participation in local and regional government over the past year. In parliament this fall, the Communists have posed as the constructive opposition, abstaining on an ultraleft motion to declare the government's economic bill unconstitutional and refusing to join the ultraleft's filibustering tactics. [redacted] moreover, party leaders have expressed their interest in steadily enlarging the party's political role at the national level. [redacted]

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MIDDLE EAST - AFRICA

Israel: *Jarring Talks*

The Israeli cabinet, at a meeting on 22 November, apparently made no decision about returning to the Jarring talks. The official communique stated only that the government would work to create the conditions that would justify participating in talks held under Jarring's auspices. The Israeli press generally believes the cabinet emerged from the meeting more unified than before, although differences between Defense Minister Moshe Dayan and other members of the cabinet apparently persist. At a Labor Party meeting on 23 November, Dayan reiterated his view that Israel should seek talks with Egypt to establish a new cease-fire agreement, despite the violation of the first agreement by the movement of missiles in the standstill zone.

According to the US Embassy, the issue under debate in Israel is not whether to return to

the Jarring talks because, with the exception of the extreme right wing, everyone agrees that the talks must be resumed sooner or later. The real debate is said to be between those who see the talks as a bona fide chance for peace and consequently want them renewed immediately, and those who view the talks as something Israel must do to gain an extension of the cease-fire and to please the US. The latter want to drag out the decision as long as possible in the hope of winning maximum advantages for Israel. The embassy believes that the majority of Israelis are not sure one way or another. The view of the Israeli press is that Israel will ultimately return to the talks, 25X1 although a decision to return will be postponed for several weeks, because further "clarification" from the US must be sought. [REDACTED]

ETHIOPIA: In a well-executed ambush on 21 November, the commander of the army's 2nd Division was killed, the most dramatic success scored by the Eritrean Liberation Front (ELF) in its current terrorist campaign. Although ELF guerrillas have staged random ambushes in the past, this one was apparently aimed specifically at the commander, the highest ranking Ethiopian killed to date in the Eritrean insurgency. The murder may have been to retaliate for recent army executions of ELF members or to demon-

strate the guerrillas' capabilities in order to coax more aid from their foreign sponsors.

The general's death has already sparked heavy retaliatory operations by the army in the area. The incident is also likely to bring renewed army pressure on Haile Selassie to establish total military rule in Eritrea. The Emperor has allowed the army wide latitude in provincial affairs in recent months, but has preferred to leave the over-all administration in civilian hands. [REDACTED] 25X1

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Guinea

25X1 The commando assault on Conakry, Guinea's capital, early this week largely achieved the objectives [redacted] but failed to trigger a coup. President Toure, although badly shaken, has probably been strengthened politically by the episode. Extensive repercussions unfavorable to Portugal and the West in general now can be expected.

Groups of commandos, almost certainly from neighboring Portuguese Guinea, disembarked from four unmarked ships in the early morning of 22 November at points along the peninsula on which the Guinean capital is situated. They struck quickly at widely separated targets, including prisoner camps, the presidential compound in the suburbs, the port area, and the headquarters of the Guinean-supported African guerrilla group operating in Portuguese Guinea. After inflicting extensive physical damage and freeing Portuguese soldiers being held captive by the guerrillas, and some Guinean prisoners as well, the intruders began to withdraw to their ships within hours of their arrival without acting directly to stage a coup.

The bulk of the force, the total size and composition of which is not yet known, probably had re-embarked by the next morning, although remnants are surely still at large in Conakry. Only a small number of commandos apparently were killed or captured. Casualties among the defenders were almost certainly higher. Several European bystanders were also killed.

There are no indications that the invaders received support from the Guinean populace, which appears in fact to have rallied promptly to

the government. Even some persons who previously had shown little affection for the regime became its defenders. Moreover, Toure's political system seems to have held together rather well. The largely untrained "people's militia"—entrusted with live ammunition for the first time—responded zealously.

There is weighty evidence to support Toure's charges that the attack was backed by Portugal and originated from bases in Portuguese Guinea. Among other indicators, the operation reflected considerable planning and logistic support.

[redacted]

The immediate impact on the Toure regime, which has been declaiming against "imperialist" plots since independence in 1958, has been to drive it into a frenzy of apprehension about further incursions either by sea or by land. The government claims to have repulsed attempted landings each night since the assault on 22 November, but it is unlikely that additional landings have occurred or will occur soon. Toure, nevertheless, has appealed urgently for support.

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With but few exceptions member countries of the 41-state Organization of African Unity (OAU) have condemned the attack and many have extended offers of support to Toure. Several countries, including Nigeria, announced in advance of any specific requests from Toure their willingness to provide military help. Sierra Leone has already moved a company of troops to a camp inside Guinea. Tanzania has pledged substantial financial support, and demonstrations, sometimes organized spontaneously by students, are taking place in many countries. An OAU

meeting has been set for 9 December in Lagos, guaranteeing that the furor will continue in Africa for some time.

In response to an appeal from Toure, the UN Security Council, meeting in emergency session, adopted on 23 November a resolution authorizing a fact-finding mission. It is scheduled to arrive in Conakry on 25 November. The resolution made no mention of Lisbon, which has denied any responsibility.

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SOUTH AFRICA - MALAGASY REPUBLIC: Officials signed economic aid agreements last weekend worth almost \$6.5 million. The South African loans will be used to develop a tourist complex in northern Madagascar. Coming in the wake of Ivory Coast President Houphouet-Boigny's call for talks between black- and white-ruled states, these agreements are likely further to strengthen Prime Minister Vorster's hand domestically in pursuing his "outward looking policy."

Malagasy officials were publicly effusive in their gratitude for the aid, and President Tsiranana urged South Africa to become more involved in Madagascar's economic development.

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SYRIA: Prime Minister and Defense Minister Asad has appointed a provisional 26-man cabinet including some military men close to him, a half dozen pro-Egyptian ministers, two Communists, and a number of men who have been retained from the former cabinet. Damascus still has had

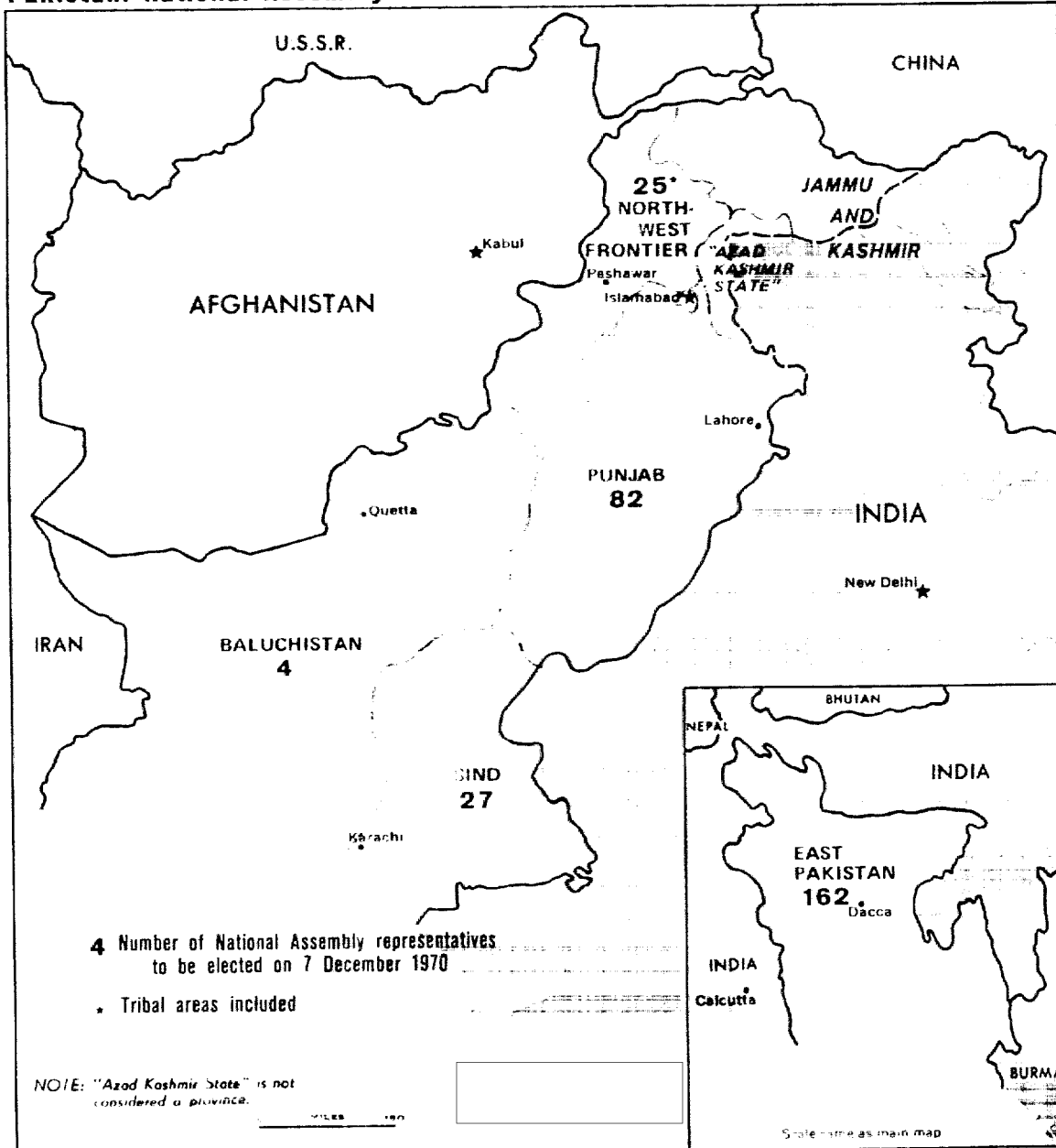
little to say publicly about the "adjustments" in the leadership and there has been little popular reaction to Asad's action. Most observers see only slight changes in Syrian policy arising out of Asad's power grab.

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Pakistani National Assembly Election on 7 December



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Pakistan: Elections

On 7 December, Pakistanis will choose from among more than 1,500 candidates for 300 seats in the National Assembly. This constituent assembly is to prepare a constitution to be submitted within 120 days to President Yahya Khan for final approval.

Mujibur Rahman's Awami League (AL), the leading advocate of greater Bengali autonomy, is the only party running candidates for each of East Pakistan's 162 elective seats, and many observers believe that this relatively moderate party will score from 80 to 100 victories. Bengali criticism of the government's handling of relief operations following the recent cyclone-tidal wave could intensify already existing resentment of West Pakistani dominance and result in an even greater sweep for the AL. Conservative parties have failed to work out effective election alliances, and the leftists have fielded only a relative handful of candidates. There has been some indication that leftist extremists may resort to violence in an effort to disrupt elections; it is doubtful, however, that they possess sufficient funds and strength to force a postponement of elections.

In West Pakistan's largest province—the Punjab—two religious conservative parties, three moderate parties each claiming to be the authentic Muslim League, and the leftist Pakistan People's Party (PPP) of former foreign minister Bhutto should all win seats. Taken together, the Council Muslim League (CML), the Pakistan Muslim League Conventionist, and the Qaiyum Khan faction of the Pakistan Muslim League

(PMLQ) would seem to have the support of a majority of the voters. By splitting the vote, however, they will help both the increasingly active PPP and the religious parties. The CML seems to have a slight lead, but it is expected to fall far short of a majority.

In Bhutto's native Sind, the same parties are contending, but the PPP has a slim chance of winning at least half the seats. In Baluchistan and the Northwest Frontier, the PMLQ apparently is about even with a left-leaning regionalist party.

No party, including the East Pakistani Awami League, is likely to win enough seats to dominate the constituent assembly. Despite speculation about postelection alliances, the formation of a viable coalition will be difficult and many Pakistanis doubt that the National Assembly will be able to accomplish its primary purpose.

The election seems likely to be held on schedule, although the balloting has been postponed in about ten constituencies hit by the recent cyclone disaster. Subsequent intervention, however, in the constitution writing process by either the generals or President Yahya cannot be ruled out.

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WESTERN HEMISPHERE

Chile: *The Government Faces its First Problems**From the Socialist Party*

At the national plenum of President Allende's Socialist Party (PS) last week a controversy arose between the hard-line faction, led by Senator Carlos Altamirano, and the secretary general of the party, Senator Aniceto Rodriguez. Rodriguez criticized the hard liners for not having participated enough in Allende's presidential campaign. Altamirano, emphasized that he and his followers had organized armed units and intelligence groups to support the campaign. Altamirano added that he was only interested in working with "revolutionaries," not just in the PS but also in the Movement of the Revolutionary Left (MIR) and other parties.

This rivalry within the PS has been aggravated by the occupation of government buildings in several provincial cities by Socialists who complained that party members had not been given enough government jobs. Rodriguez claimed that these actions had been taken without the authority of the PS central committee, but they may have had his tacit support; at least one of the seizures was instigated by two of Rodriguez' close allies. President Allende is disturbed by these actions. He pointed out to the PS plenum that the success or failure of his administration will reflect on the Socialist Party and demanded an end to the illegal sit-ins.

Allende is trying to placate the MIR, in order to prevent a renewal of urban terrorism that alarmed many Chileans during the election campaign. The MIR has acted as his personal bodyguard for several months. He believes that he can control it and, with the PS, build a counterweight within the Popular Unity coalition to the more numerous and better organized Communist Party.

Allende is stopping the prosecution of terrorists arrested by the Frei government or now in hiding. Those in jail have been released unconditionally, and charges have been dropped against others. It seems likely, however, that MIR leaders, who make no secret of their disdain for constitutional procedures, eventually will become dissatisfied with the pace of Allende's actions and resume their violent activities. Such a development would present Allende with the unpalatable alternatives of tolerating terrorism or cracking down on revolutionaries, thus impugning the authenticity of his own leftist credentials.

The Homeless

Allende's government also faces a difficult dilemma in dealing with the occupation of urban land by squatters, as well as the seizure of new but unoccupied housing that had been assigned to and paid for by lower class workers. In the Santiago area more than 4,000 dwelling units have been seized since the election in September. On 17 November protesting homeowners stopped traffic on a major highway out of the city for 24 hours. The government now must reconcile the demands of the squatters, its own promise to resolve quickly the critical housing shortage, and the need for enforcement of the law and the homeowners' claims.

The Christian Democrats

On another front, the plan of Allende and the Communists to buttress leftist forces within the Christian Democratic Party (PDC) and thus obtain PDC support for crucial legislative proposals is running into difficulty. The PDC organized the occupation of some of the housing

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units in an effort to maintain its influence among the urban poor, where it has long been a strong competitor of the Communists and Socialists. It is becoming increasingly clear that the PDC's support for Allende in the congressional runoff has not guaranteed that the new government will move slowly against PDC interests. Christian Democratic bureaucrats are retaining their jobs with increasing difficulty, and a Communist-led strike at an important PDC publishing house threatens to bankrupt the company. As a result, PDC legislators are marshaling their forces and may oppose Allende's budget proposal and a plan for nationalizing all banking facilities.

Private Enterprise

The take-over of two partly US-owned companies last week may serve as a warning that the administration is willing to force private enterprise to cooperate. The take-overs were precipitated by complaints of Communist-led labor unions and carried out under a 1945 labor law.

Recent government press leaks indicate that its 1971 wage policy will further shift income away from management, and a new "escalator" feature will redistribute income among wage-earners by granting substantially larger increases to lower-paid groups. Prices will be rigidly controlled and companies will be expected to offset the additional profit squeeze by expanding output.

Copper

The new minister of mines has announced that Chile will propose to the meeting of copper producing countries in Paris that joint action be taken to seek new markets and break out of the "iron circle" of present market arrangements. He cited as a potentially good market Communist China, which has periodically shown interest in direct copper purchases from Chile. Chile's copper output is expanding rapidly as a result of the extensive investment of US companies there in recent years.

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Latin America Takes a New Look at Cuba

Chile's resumption of diplomatic relations with Havana on 12 November has prompted several other countries to review hemisphere policy toward Cuba. The resolution of the Organization of American States (OAS) in 1962 that suspended Cuba from the inter-American system and the resolution in 1964 that called on member states to sever all ties with the Castro government, increasingly are being questioned.

Chile was the first country formally to reverse its compliance with the 1964 resolution. Mexico, which refused to comply with the OAS

recommendation by maintaining diplomatic and commercial relations with Cuba, was the only Latin American state to applaud Chile's move.

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Jamaica, which was admitted to the OAS in 1969 and maintains commercial relations with Cuba, has not reacted publicly.

Most Latin American countries have been reluctant to criticize Chile publicly, although it is

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widely recognized that the viability of the OAS has been undermined. Uruguayan Foreign Minister Peirano Facio believes that Chile's action threatens the "credibility of all inter-American obligations." He is worried that other Latin American countries may also recognize Cuba unless a majority in the OAS reaffirms the 1964 resolution.

Ecuador has indicated that it will abide by the 1964 OAS stand although two government ministers and many prominent Ecuadoreans apparently favor re-establishing ties with Havana. President Velasco, who is not known for the consistency of his public statements, said recently that "there can be no peace in the hemisphere if an American state is maintained in perpetual excommunication."

Venezuela, which brought the charges of subversion against Havana that resulted in the 1964 OAS resolution, is taking a passive role now. In a press conference on 19 November, President Caldera refrained from criticizing Chile or Cuba,

and said that Caracas was discussing the matter with other Latin American states.

The US Embassy in La Paz reports that "third world" foreign policy proponents in Bolivia can be expected to attempt to bring about a "liberalization" of policy toward Cuba. A vote in the OAS on Cuba could reflect the same partial change in policy that resulted in Bolivia's recent abstention in the UN on the Albanian resolution.

A number of countries, including Argentina and Brazil, apparently prefer to avoid a public re-examination of Cuba's revolutionary role and place in the inter-American community. Such a review would aggravate divisions within the OAS and would probably result in a larger "pro-Cuba" vote than in 1964 when four countries voted against sanctions. Some countries, moreover, may no longer believe that Cuba's more cautious and selective support to Latin American revolutionaries is cause for sanctions.

In any case, there is considerable concern throughout the hemisphere that if the OAS fails to act other states will move unilaterally to recognize Cuba and further discredit the OAS. The Peruvian Government is the most likely to follow such a course even though it has frequently reaffirmed its adherence to collective decision making within the OAS framework. The US Embassy in Lima reports that if the Cuba question came to a vote in the OAS, Peru would be inclined to vote against the 1964 resolution. In the long run, however, if the OAS fails to act, Peru may be tempted to take unilateral action in recognizing Cuba.

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Havana stands to gain regardless of whether the OAS acts or not. Castro flatly refuses to renounce his role as an "exporter of revolution" and vehemently denounces the OAS, refusing to

resume participation as long as the US is a member. He has indicated a willingness, however, to consider bilateral relations with countries that publicly disavow the OAS sanctions. [REDACTED]

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Mexico: *New President Foresees Good Relations with the US*

The Mexican presidential succession on 1 December holds promise for another good era of US-Mexican relations.

Incoming President Luis Echeverria's strong but realistic nationalism gives him a clear understanding of the overwhelming importance of the United States to Mexico, and he clearly intends this "special relationship" to be an asset rather than a problem. Echeverria considers his meeting with President Nixon this month a total success, and he believes that now that he has established a good personal friendship with the US President he can pursue Mexico's interests in bilateral affairs with full vigor.

desire to bring the most modern technology into Mexico and to continue the flow of investment, but he wants closer control over the conditions under which both operate. As president-elect, Echeverria held a number of conferences with the US business community in Mexico and he has invited leading US businessmen to his inauguration.

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[REDACTED] outgoing President Diaz Ordaz leaves his successor a healthy legacy of achievement in the fence-mending field, particularly in the form of settled boundary disputes. Diaz Ordaz and Foreign Minister Carrillo Flores, however, have been sharply criticized by the extreme left, which is chronically suspicious of a "sellout" to the "northern colossus."

[REDACTED]
Mexican-US trade and US investment are of prime interest to Echeverria. He has stressed his

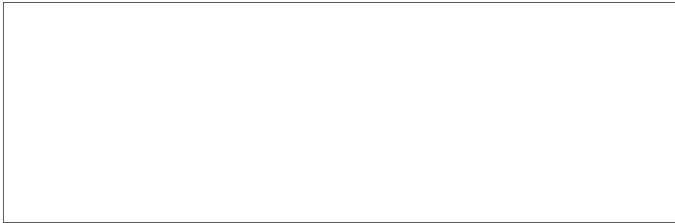


President-elect
Luis Echeverria Alvarez

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Although a number of constant vexations will continue to test US-Mexican friendship, increasingly constructive bilateral exchange looks hopeful.



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